

**REPORT OF THE AUDIT OF THE
BUTLER COUNTY
FISCAL COURT**

**For The Fiscal Year Ended
June 30, 2009**



**CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS
www.auditor.ky.gov**

**209 ST. CLAIR STREET
FRANKFORT, KY 40601-1817
TELEPHONE (502) 564-5841
FACSIMILE (502) 564-2912**

EXECUTIVE SUMMARY

AUDIT EXAMINATION OF THE BUTLER COUNTY FISCAL COURT

**For The Fiscal Year Ended
June 30, 2009**

The Auditor of Public Accounts has completed the audit of the Butler County Fiscal Court for fiscal year ended June 30, 2009. We have issued an unqualified opinion on the governmental activities, business-type activities, and each major fund of Butler County, Kentucky.

Financial Condition:

The fiscal court had net assets of \$4,761,687 as of June 30, 2009. The fiscal court had unrestricted net assets of \$1,841,287 in its governmental activities as of June 30, 2009 with total net assets of \$4,748,305. In its business-type activities, total net cash and cash equivalents were \$13,382 with total net assets of \$13,382. The fiscal court had total financing obligations of \$487,250 as of June 30, 2009 with \$171,329 due within the next year.

Deposits:

As of June 30, 2009, the fiscal court's deposits were insured and collateralized by bank securities.

<u>CONTENTS</u>	PAGE
INDEPENDENT AUDITOR’S REPORT	1
BUTLER COUNTY OFFICIALS	3
STATEMENT OF NET ASSETS - MODIFIED CASH BASIS	7
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS.....	10
BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS	15
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS	18
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS	23
STATEMENT OF FUND NET ASSETS - PROPRIETARY FUND - MODIFIED CASH BASIS	27
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS - PROPRIETARY FUND - MODIFIED CASH BASIS	31
STATEMENT OF CASH FLOWS - PROPRIETARY FUND - MODIFIED CASH BASIS	35
NOTES TO FINANCIAL STATEMENTS	37
BUDGETARY COMPARISON SCHEDULES	51
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION.....	55
REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS	59
APPENDIX A:	
CERTIFICATION OF COMPLIANCE - LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM	



CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky
Honorable Steven L. Beshear, Governor
Jonathan Miller, Secretary
Finance and Administration Cabinet
Honorable David Fields, Butler County Judge/Executive
Members of the Butler County Fiscal Court

Independent Auditor's Report

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of Butler County, Kentucky, as of and for the year ended June 30, 2009, which collectively comprise the County's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the Butler County Fiscal Court. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for Fiscal Court Audits issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As described in Note 1, Butler County, Kentucky, prepares its financial statements in accordance with the modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of Butler County, Kentucky, as of June 30, 2009, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with the modified cash basis of accounting.

The County has chosen not to present the management's discussion and analysis that the Governmental Accounting Standards Board (GASB) has determined is necessary to supplement, although not required to be part of, the basic financial statements. The budgetary comparison information is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.



To the People of Kentucky
Honorable Steven L. Beshear, Governor
Jonathan Miller, Secretary
Finance and Administration Cabinet
Honorable David Fields, Butler County Judge/Executive
Members of the Butler County Fiscal Court

In accordance with Government Auditing Standards, we have also issued our report dated August 19, 2010 on our consideration of Butler County, Kentucky's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Crit Luallen", with a long horizontal flourish extending to the right.

Crit Luallen
Auditor of Public Accounts

August 19, 2010

BUTLER COUNTY OFFICIALS

For The Year Ended June 30, 2009

Fiscal Court Members:

David Fields	County Judge/Executive
Roger McKinney	Magistrate
Stevie Givens	Magistrate
Allen Smith	Magistrate
Darrell Deweese	Magistrate
Keith Daugherty	Magistrate

Other Elected Officials:

Melissa Cardwell	Circuit Court Clerk
Richard Deye	County Attorney
Terry Fugate	Jailer
Shirley Givens	County Clerk
Joe Gaddie	County Sheriff
Angela Pendley	Property Valuation Administrator
Gerald Marty Jones II	Coroner

Appointed Personnel:

Susan Johnson	County Treasurer
Susan Johnson	Occupational Tax Administrator
Kim Phelps	Finance Officer
Kim Phelps	Personnel Officer
Larry Morris	Road Supervisor
Galon Neighbors and Marilyn Phelps	911 Administrator
Kelly Fugate	Jail Administrative Assistant/Bookkeeper

BUTLER COUNTY
STATEMENT OF NET ASSETS - MODIFIED CASH BASIS

June 30, 2009

BUTLER COUNTY
STATEMENT OF NET ASSETS - MODIFIED CASH BASIS

June 30, 2009

	Primary Government		
	Governmental	Business-Type	
	Activities	Activities	Totals
ASSETS			
Current Assets:			
Cash and Cash Equivalents	\$ 1,864,210	\$ 13,382	\$ 1,877,592
Assets Held for Resale	102,655		102,655
Total Current Assets	1,966,865	13,382	1,980,247
Noncurrent Assets:			
Capital Assets - Net of Accumulated Depreciation			
Land and Land Improvements	191,933		191,933
Construction In Progress	240,989		240,989
Buildings	477,127		477,127
Other Equipment	290,767		290,767
Vehicles and Equipment	71,086		71,086
Infrastructure	1,996,788		1,996,788
Total Noncurrent Assets	3,268,690		3,268,690
Total Assets	5,235,555	13,382	5,248,937
LIABILITIES			
Current Liabilities:			
Financing Obligations	171,329		171,329
Total Current Liabilities	171,329		171,329
Noncurrent Liabilities:			
Financing Obligations	315,921		315,921
Total Noncurrent Liabilities	315,921		315,921
Total Liabilities	487,250		487,250
NET ASSETS			
Invested in Capital Assets,			
Net of Related Debt	2,884,095		2,884,095
Restricted For:			
Debt Service	22,923		22,923
Unrestricted	1,841,287	13,382	1,854,669
Total Net Assets	\$ 4,748,305	\$ 13,382	\$ 4,761,687

The accompanying notes are an integral part of the financial statements.

THIS PAGE LEFT BLANK INTENTIONALLY

BUTLER COUNTY
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
For The Year Ended June 30, 2009

BUTLER COUNTY
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS

For The Year Ended June 30, 2009

Functions/Programs Reporting Entity	Expenses	Program Revenues Received		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental Activities:				
General Government	\$ 1,502,171	\$ 3,969	\$ 238,580	\$ 54,000
Protection to Persons and Property	992,198	353,072	91,153	
General Health and Sanitation	137,746	3,772		
Social Services	28,631			
Recreation and Culture	35,002	6,767		
Transportation Facilities and Services	2,338			
Roads	885,386		1,365,600	
Debt Service	28,375			
Capital Projects	900			
Total Governmental Activities	3,612,747	367,580	1,695,333	54,000
Business-type Activities:				
Jail Canteen	37,739	42,482		
Total Business-type Activities	37,739	42,482		
Total Primary Government	<u>\$ 3,650,486</u>	<u>\$ 410,062</u>	<u>\$ 1,695,333</u>	<u>\$ 54,000</u>

General Revenues:

Taxes:

Real Property Taxes
Personal Property Taxes
Motor Vehicle Taxes
Net Profit Taxes
Occupational Taxes
In Lieu Taxes
Other Taxes
Telephone 911 Taxes
Excess Fees
Interest Received
Miscellaneous Revenues

Total General Revenues

Change in Net Assets

Net Assets - Beginning (Restated)

Net Assets - Ending

The accompanying notes are an integral part of the financial statements.

BUTLER COUNTY
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
For The Year Ended June 30, 2009
(Continued)

Net (Expenses) Revenues and Changes in Net Assets		
Primary Government		
Governmental Activities	Business-Type Activities	Totals
\$ (1,205,622)	\$	\$ (1,205,622)
(547,973)		(547,973)
(133,974)		(133,974)
(28,631)		(28,631)
(28,235)		(28,235)
(2,338)		(2,338)
480,214		480,214
(28,375)		(28,375)
(900)		(900)
(1,495,834)		(1,495,834)
	4,743	4,743
	4,743	4,743
(1,495,834)	4,743	(1,491,091)
220,018		220,018
55,232		55,232
74,041		74,041
87,530		87,530
626,185		626,185
79,707		79,707
82,064		82,064
98,908		98,908
208,448		208,448
24,695		24,695
112,531		112,531
1,669,359		1,669,359
173,525	4,743	178,268
4,574,780	8,639	4,583,419
\$ 4,748,305	\$ 13,382	\$ 4,761,687

The accompanying notes are an integral part of the financial statements.

THIS PAGE LEFT BLANK INTENTIONALLY

BUTLER COUNTY
BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

June 30, 2009

BUTLER COUNTY
BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

June 30, 2009

	General Fund	Road Fund	Jail Fund	Local Government Economic Assistance Fund	Debt Service Fund	Total Governmental Funds
ASSETS						
Cash and Cash Equivalents	\$ 1,100,220	\$ 709,590	\$ 5,341	\$ 12,829	\$ 22,923	\$ 1,850,903
Total Assets	<u>1,100,220</u>	<u>709,590</u>	<u>5,341</u>	<u>12,829</u>	<u>22,923</u>	<u>1,850,903</u>
FUND BALANCES						
Fund Balances:						
Reserved:						
Encumbrances	298	276	68			642
Unreserved:						
General Fund	1,099,922					1,099,922
Debt Service Fund					22,923	22,923
Special Revenue Funds		709,314	5,273	12,829		727,416
Total Fund Balances	<u>\$ 1,100,220</u>	<u>\$ 709,590</u>	<u>\$ 5,341</u>	<u>\$ 12,829</u>	<u>\$ 22,923</u>	<u>\$ 1,850,903</u>

Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Assets:

Total Fund Balances	\$ 1,850,903
Amounts Reported For Governmental Activities In The Statement	
Of Net Assets Are Different Because:	
Capital Assets Used In Governmental Activities Are Not Financial Resources	
And Therefore Are Not Reported In The Funds.	6,004,872
Accumulated Depreciation	(2,736,182)
Assets Held for Resale	102,655
Internal Service Fund Is Used By Management To Charge The Cost Of Health Insurance	
To Individual Funds. The Assets And Liabilities Are Included In Governmental	
Activities On The Statement Of Activities.	13,307
Long-term Debt Is Not Due and Payable In The Current Period And, Therefore,	
Is Not Reported In The Funds.	
Financing Obligations	<u>(487,250)</u>
Net Assets Of Governmental Activities	<u>\$ 4,748,305</u>

The accompanying notes are an integral part of the financial statements.

THIS PAGE LEFT BLANK INTENTIONALLY

BUTLER COUNTY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

For The Year Ended June 30, 2009

BUTLER COUNTY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

For The Year Ended June 30, 2009

	General Fund	Road Fund	Jail Fund
REVENUES			
Taxes	\$ 1,243,907	\$	\$
In Lieu Tax Payments	79,707		
Excess Fees	208,448		
Licenses and Permits	3,969		
Intergovernmental	172,403	1,365,600	308,668
Charges for Services	15,658		81,869
Miscellaneous	180,524	10,608	4,421
Interest	15,795	8,539	
Total Revenues	<u>1,920,411</u>	<u>1,384,747</u>	<u>394,958</u>
EXPENDITURES			
General Government	725,021		
Protection to Persons and Property	431,804		502,230
General Health and Sanitation	137,246		
Social Services	28,631		
Recreation and Culture	35,002		
Transportation Facilities and Services		2,338	
Roads		763,024	
Debt Service		28,114	
Capital Projects		204,374	
Administration	423,186	229,557	174,125
Total Expenditures	<u>1,780,890</u>	<u>1,227,407</u>	<u>676,355</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>139,521</u>	<u>157,340</u>	<u>(281,397)</u>
Other Financing Sources (Uses)			
Transfers To Other Funds	(271,740)	(123,586)	
Transfers From Other Funds	123,586		263,570
Total Other Financing Sources (Uses)	<u>(148,154)</u>	<u>(123,586)</u>	<u>263,570</u>
Net Change in Fund Balances	(8,633)	33,754	(17,827)
Fund Balances - Beginning	1,108,853	675,836	23,168
Fund Balances - Ending	<u>\$ 1,100,220</u>	<u>\$ 709,590</u>	<u>\$ 5,341</u>

The accompanying notes are an integral part of the financial statements.

BUTLER COUNTY
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
For The Year Ended June 30, 2009
(Continued)

Local Government Economic Assistance Fund	Debt Service Fund	Total Governmental Funds
\$	\$	\$ 1,243,907
		79,707
		208,448
		3,969
38,115	47,680	1,932,466
		97,527
		195,553
115	246	24,695
38,230	47,926	3,786,272
		725,021
37,934		971,968
		137,246
		28,631
		35,002
		2,338
		763,024
14,144	55,085	97,343
		204,374
		826,868
52,078	55,085	3,791,815
(13,848)	(7,159)	(5,543)
		(395,326)
	8,170	395,326
	8,170	
(13,848)	1,011	(5,543)
26,677	21,912	1,856,446
\$ 12,829	\$ 22,923	\$ 1,850,903

The accompanying notes are an integral part of the financial statements.

THIS PAGE LEFT BLANK INTENTIONALLY

**BUTLER COUNTY
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS**

For The Year Ended June 30, 2009

BUTLER COUNTY
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS

For The Year Ended June 30, 2009

Net Change in Fund Balances - Total Governmental Funds	\$ (5,543)
Governmental Funds Report Capital Outlays As Expenditures. However, In The Of Activities, The Cost Of Those Assets Is Allocated Over Their Estimated Usfeul Lives And Reported As Depreciation Expense.	
Capital Outlay	85,320
Construction in Progress	203,474
Depreciation Expense	(208,208)
Internal Service Funds Are Used By Management To Charge The Cost Of Health Insurance To Individual Funds. The Net Revenues (Expenses) Of This Fund Are Reported With Governmental Activities.	
	13,307
The Issuance Of Long-term Debt (e.g. Bonds, Financing Obligations) Provides Current Financial Resources To Governmental Funds While Principal Payments Are Expenses In The Governmental Funds As A Use Of Current Financial Recources. These Transactions, However Have No Effect On Net Assets.	
Financing Obligations Principal Payments	<u>85,175</u>
Change in Net Assets of Governmental Activities	<u><u>\$ 173,525</u></u>

THIS PAGE LEFT BLANK INTENTIONALLY

BUTLER COUNTY
STATEMENT OF FUND NET ASSETS - PROPRIETARY FUND - MODIFIED CASH BASIS

June 30, 2009

BUTLER COUNTY
STATEMENT OF FUND NET ASSETS - PROPRIETARY FUND - MODIFIED CASH BASIS

June 30, 2009

	<u>Business-Type Activity</u>	<u>Governmental Activities</u>
	<u>Enterprise Fund</u>	<u>Internal Service Fund</u>
	<u>Jail Canteen Fund</u>	<u>Health Reimbursement Fund</u>
Assets		
Current Assets:		
Cash and Cash Equivalents	\$ 13,382	\$ 13,307
Total Current Assets	<u>13,382</u>	<u>13,307</u>
Net Assets		
Unrestricted	13,382	13,307
Total Net Assets	<u><u>\$ 13,382</u></u>	<u><u>\$ 13,307</u></u>

The accompanying notes are an integral part of the financial statements.

THIS PAGE LEFT BLANK INTENTIONALLY

BUTLER COUNTY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS -
PROPRIETARY FUND - MODIFIED CASH BASIS

For The Year Ended June 30, 2009

BUTLER COUNTY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS -
PROPRIETARY FUND - MODIFIED CASH BASIS

For The Year Ended June 30, 2009

	<u>Business-Type Activity</u>	<u>Governmental Activities</u>
	<u>Enterprise Fund</u>	<u>Internal Service Fund</u>
	<u>Jail Canteen Fund</u>	<u>Health Reimbursement Fund</u>
Operating Revenues		
Canteen Receipts	\$ 42,482	\$
Reimbursements		24,812
Total Operating Revenues	<u>42,482</u>	<u>24,812</u>
Operating Expenses		
Cost of Sales	29,409	
Educational and Recreational	6,001	
Sales Tax	2,002	
Administrative		11,505
Miscellaneous	327	
Total Operating Expenses	<u>37,739</u>	<u>11,505</u>
Operating Income	<u>4,743</u>	<u>13,307</u>
Nonoperating Revenues (Expenses)		
Inmate Pay From State	8	
Inmate Refunds	<u>(8)</u>	
Total Nonoperating Revenues (Expenses)		
Change In Net Assets	4,743	13,307
Total Net Assets - Beginning	<u>8,639</u>	<u>0</u>
Total Net Assets - Ending	<u><u>\$ 13,382</u></u>	<u><u>\$ 13,307</u></u>

The accompanying notes are an integral part of the financial statements.

THIS PAGE LEFT BLANK INTENTIONALLY

BUTLER COUNTY
STATEMENT OF CASH FLOWS - PROPRIETARY FUND - MODIFIED CASH BASIS

For The Year Ended June 30, 2009

BUTLER COUNTY
STATEMENT OF CASH FLOWS - PROPRIETARY FUND - MODIFIED CASH BASIS

For The Year Ended June 30, 2009

	<u>Business-Type Activity</u>	<u>Governmental Activities</u>
	<u>Enterprise Fund</u>	<u>Internal Service Fund</u>
	<u>Jail Canteen Fund</u>	<u>Health Reimbursement Fund</u>
Cash Flows From Operating Activities		
Cash Received From Customers	\$ 42,482	\$ 24,812
Cash Payments to Vendors	<u>(37,739)</u>	<u>(11,505)</u>
Net Cash Provided By Operating Activities	<u>4,743</u>	<u>13,307</u>
Cash Flows From Noncapital Financing Activities		
Inmate Pay From State	8	
Inmate Refunds on Accounts	<u>(8)</u>	
Net Cash Provided By Noncapital Financing Activities	<u>0</u>	<u>0</u>
Net Increase in Cash and Cash Equivalents	4,743	13,307
Cash and Cash Equivalents - July 1, 2008	<u>8,639</u>	<u></u>
Cash and Cash Equivalents - June 30, 2009	<u><u>\$ 13,382</u></u>	<u><u>\$ 13,307</u></u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities		
Operating Income	<u>\$ 4,743</u>	<u>\$ 13,307</u>
Net Cash Provided By Operating Activities	<u><u>\$ 4,743</u></u>	<u><u>\$ 13,307</u></u>

The accompanying notes are an integral part of the financial statements.

**INDEX FOR NOTES
TO THE FINANCIAL STATEMENTS**

NOTE 1.	SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES.....	37
NOTE 2.	DEPOSITS	42
NOTE 3.	ASSETS HELD FOR RESALE.....	42
NOTE 4.	CAPITAL ASSETS.....	43
NOTE 5.	FINANCING OBLIGATIONS	44
NOTE 6.	SHORT-TERM DEBT.....	46
NOTE 7.	INTEREST ON FINANCING OBLIGATIONS AND SHORT-TERM DEBT	46
NOTE 8.	EMPLOYEE RETIREMENT SYSTEM	46
NOTE 9.	DEFERRED COMPENSATION	47
NOTE 10.	INSURANCE	47
NOTE 11.	PRIOR PERIOD ADJUSTMENTS	47
NOTE 12.	SUBSEQUENT EVENT	48

BUTLER COUNTY
NOTES TO FINANCIAL STATEMENTS

June 30, 2009

Note 1. Summary of Significant Accounting Policies

A. Basis of Presentation

The county presents its government-wide and fund financial statements in accordance with a modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this basis of accounting, assets, liabilities, and related revenues and expenditures are recorded when they result from cash transactions, with a few exceptions. This modified cash basis recognizes revenues when received and expenditures when paid. Notes receivable are recognized on the Statement of Net Assets, but notes receivable are not included and recognized on the Balance Sheet – Governmental Funds. Property tax receivables, accounts payable, compensated absences, and donated assets are not reflected in the financial statements

Encumbrances lapse at year-end and are not reflected on the Statement of Net Assets and Statement of Activities; however encumbrances are reflected on the Balance Sheet - Governmental Funds as part of the fund balance (Reserved for Encumbrances).

The State Local Finance Officer does not require the county to report capital assets and infrastructure; however the value of these assets are included in the Statement of Net Assets and the corresponding depreciation expense is included on the Statement of Activities.

B. Reporting Entity

The financial statements of Butler County include the funds, agencies, boards, and entities for which the fiscal court is financially accountable. Financial accountability, as defined by Section 2100 of the Governmental Accounting Standards Board (GASB) Codification of Governmental Accounting and Financial Reporting Standards, as amended by GASB 14 and GASB 39, was determined on the basis of the government's ability to significantly influence operations, select the governing authority, participate in fiscal management and the scope of public service. Consequently, the reporting entity includes organizations that are legally separate from the primary government. Legally separate organizations are reported as component units if either the county is financially accountable or the organization's exclusion would cause the county's financial statements to be misleading or incomplete. Component units may be blended or discretely presented. Blended component units either provided their services exclusively or almost entirely to the primary government, or their governing bodies are substantially the same as the primary government. The county has no component units.

C. Butler County Elected Officials

Kentucky law provides for election of the officials below from the geographic area constituting Butler County. Pursuant to state statute, these officials perform various services for the Commonwealth of Kentucky, its judicial courts, the fiscal court, various cities and special districts within the county, and the board of education. In exercising these responsibilities, however, they are required to comply with state laws. Audits of their financial statements are issued separately and individually and can be obtained from their respective administrative offices. These officials are not part of the Butler County reporting entity.

- Circuit Court Clerk
- County Attorney
- Property Valuation Administrator
- County Clerk
- County Sheriff

BUTLER COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2009
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

D. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its non-fiduciary component units. For the most part, the effect of interfund activities has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on sales, fees, and charges for support. Business-type revenues come mostly from fees charged to external parties for goods or services.

The statement of net assets presents the reporting entity's non-fiduciary assets and liabilities, the difference between the two being reported as net assets. Net assets are reported in three categories: 1) invested in capital assets, net of related debt - consisting of capital assets, net of accumulated depreciation and reduced by outstanding balances for debt related to the acquisition, construction, or improvement of those assets; 2) restricted net assets - resulting from constraints placed on net assets by creditors, grantors, contributors, and other external parties, including those constraints imposed by law through constitutional provisions or enabling legislation; and 3) unrestricted net assets - those assets that do not meet the definition of restricted net assets or invested in capital assets.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function; 2) operating grants and contributions; and 3) capital grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Internally dedicated resources such as taxes and unrestricted state funds are reported as general revenues.

Generally and except as otherwise provided by law, property taxes are assessed as of January 1, levied (mailed) November 1, due at discount November 30, due at face value December 31, delinquent January 1 following the assessment, and subject to lien and sale the 3rd Saturday in April following the delinquency date.

Funds are characterized as either major or non-major. Major funds are those whose assets, liabilities, revenues, or expenditures/expenses are at least ten percent of the corresponding total (assets, liabilities, etc.) for all funds or type (governmental or proprietary) and whose total assets, liabilities, revenues, or expenditures/expenses are at least five percent of the corresponding total for all governmental and enterprise funds combined. The fiscal court may also designate any fund as major.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major enterprise funds are reported as separate columns in the financial statements.

BUTLER COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2009
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

D. Government-wide and Fund Financial Statements (Continued)

Governmental Funds

The primary government reports the following major governmental funds:

General Fund - This is the primary operating fund of the fiscal court. It accounts for all financial resources of the general government, except where the Department for Local Government requires a separate fund or where management requires that a separate fund be used for some function.

Road Fund - This fund is for road and bridge construction and repair. The primary source of revenue for this fund is state payments for truck licenses distribution, municipal road aid, and transportation grants. The Department for Local Government requires the fiscal court to maintain these receipts and expenditures separately from the General Fund.

Jail Fund - The primary purpose of this fund is to account for the jail expenses of the county. The primary sources of revenue for this fund are reimbursements from the state and federal government, payments from other counties for housing prisoners, and transfers from the General Fund. The Department for Local Government requires the fiscal court to maintain these receipts and expenditures separately from the General Fund.

Local Government Economic Assistance Fund - The purpose of this fund is to account for roads and protection of persons and property expenses of the county. The primary source of revenue is mineral severance tax. The Department for Local Government requires the fiscal court to maintain these receipts and expenditures separately from the General Fund.

Debt Service Fund - Debt service funds are used to account for the accumulation of resources for the payment of long-term debt principal and interest.

Special Revenue Funds:

The Road Fund, Jail Fund, and Local Government Economic Assistance Fund are presented as special revenue funds. Special revenue funds are to account for the proceeds of specific revenue sources and expenditures that are legally restricted for specific purposes.

Debt Service Fund:

The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal and interest.

Proprietary Funds

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with proprietary funds' principal ongoing operations. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

BUTLER COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2009
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

D. Government-wide and Fund Financial Statements (Continued)

Proprietary Funds (Continued)

Enterprise Fund:

The principal operating revenues of the county's enterprise fund is charges to customers for sales in the Jail Canteen Fund. Operating expenses for the enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. The government has elected not to adopt Financial Accounting Standards Board (FASB) Statements or Interpretations issued after November 30, 1989, unless Governmental Accounting Standards Board (GASB) specifically adopts such FASB Statements or Interpretations.

The government reports the following major proprietary fund:

Jail Canteen Fund - The canteen operations are authorized pursuant to KRS 441.135(1), which allows the jailer to sell snacks, sodas, and other items to inmates. The profits generated from the sale of those items are to be used for the benefit or recreation of the inmates. KRS 441.135(2) requires the jailer to maintain accounting records and report annually to the county treasurer the receipts and disbursements of the Jail Canteen Fund.

Internal Service Fund:

The government reports the following internal service fund:

Health Reimbursement Fund - This fund accounts for services provided to the county's employees as a benefit.

E. Deposits and Investments

The government's cash and cash equivalents are considered to be cash on hand, demand deposits, certificates of deposit, and short-term investments with original maturities of three months or less from the date of acquisition.

KRS 66.480 authorizes the county to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

F. Capital Assets

Capital assets, which include land, land improvements, buildings, building improvements, furniture and fixtures, machinery, equipment, vehicles, and infrastructure assets (roads and bridges) that have a useful life of more than one reporting period based on the government's capitalization policy, are reported in the applicable governmental or business-type activities of the government-wide financial statements. Such assets are recorded at historical cost or estimated historical cost when purchased or constructed.

BUTLER COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2009
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

F. Capital Assets (Continued)

Cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not capitalized. Land and Construction In Progress are not depreciated. Interest incurred during construction is not capitalized for Governmental Funds but is capitalized to Proprietary Funds. Capital assets and infrastructure are depreciated using the straight-line method of depreciation over the estimated useful life of the asset.

	Capitalization Threshold	Useful Life (Years)
Land Improvements	\$ 12,500	10-60
Buildings and Building Improvements	\$ 25,000	10-75
Furniture and Fixtures	\$ 5,000	3-25
Machinery and Equipment	\$ 5,000	3-25
Vehicles	\$ 5,000	3-25
Infrastructure	\$ 10,000	10-50

G. Long-term Obligations

In the government-wide financial statements and proprietary funds in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable financial statements. The principal amount of bonds, notes and financing obligations are reported.

In the fund financial statements, governmental fund types recognize bond interest, as well as bond issuance costs when received or when paid, during the current period. The principal amount of the debt and interest are reported as expenditures. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures. Debt proceeds are reported as other financing sources.

H. Fund Equity

In the fund financial statements, the difference between the assets and liabilities of governmental funds is reported as fund balance. Fund balance is divided into reserved and unreserved components, with unreserved considered available for new spending. Unreserved fund balances may be divided into designated and undesignated portions. Designations represent fiscal court's intended use of the resources and should reflect actual plans approved by the fiscal court.

Governmental funds report reservations of fund balance for amounts that are legally restricted by outside parties for use for a specific purpose, long-term receivables, and encumbrances.

"Reserved for Encumbrances" are purchase orders that will be fulfilled in a subsequent fiscal period. Although the purchase order or contract creates a legal commitment, the fiscal court incurs no liability until performance has occurred on the part of the party with whom the fiscal court has entered into the arrangement. When a government intends to honor outstanding commitments in subsequent periods, such amounts are encumbered. Encumbrances lapse at year-end and are not reflected on the Statement of Net Assets and Statement of Activities; however, encumbrances are reflected on the Balance Sheet - Governmental Funds as part of the fund balance.

BUTLER COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2009
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

I. Budgetary Information

Annual budgets are adopted on a cash basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer. The State Local Finance Officer does not require a formal budget to be adopted for the Jail Canteen Fund.

The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

Note 2. Deposits

The County maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC) in accordance with KRS 66.480(1) (d). According to KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the County and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. These requirements were met.

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a depository institution's failure, the county's deposits may not be returned. The County does not have a deposit policy for custodial credit risk but rather follows the requirements of KRS 41.240(4). As of June 30, 2009, all deposits were covered by FDIC insurance or a properly executed collateral security agreement.

Note 3. Assets Held For Resale

On April 7, 2008, the Butler County Fiscal Court entered into a short-term lease agreement with the Kentucky Association of Counties to borrow \$102,655 in order to finance the purchase of a Mac Truck. The county purchased the truck to use for one year; then the truck will be sold at auction. As of June 30, 2009, the county still had the truck.

BUTLER COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2009
(Continued)

Note 4. Capital Assets

Capital asset activity for the year ended June 30, 2009 was as follows:

	Reporting Entity			
	Beginning Balance	Increases	Decreases	Ending Balance
Primary Government:				
<u>Governmental Activities:</u>				
Capital Assets Not Being Depreciated:				
Land and Land Improvements	\$ 191,933	\$	\$	\$ 191,933
Construction In Progress	37,515	203,474		240,989
Total Capital Assets Not Being Depreciated	229,448	203,474		432,922
Capital Assets, Being Depreciated:				
Buildings	1,406,594			1,406,594
Other Equipment	872,841	64,820		937,661
Vehicles and Equipment	864,617	20,500		885,117
Infrastructure	2,342,578			2,342,578
Total Capital Assets Being Depreciated	5,486,630	85,320		5,571,950
Less Accumulated Depreciation For:				
Buildings	(898,381)	(31,086)		(929,467)
Other Equipment	(600,500)	(46,394)		(646,894)
Vehicles and Equipment	(785,261)	(28,770)		(814,031)
Infrastructure	(243,832)	(101,958)		(345,790)
Total Accumulated Depreciation	(2,527,974)	(208,208)		(2,736,182)
Total Capital Assets, Being Depreciated, Net	2,958,656	(122,888)		2,835,768
Governmental Activities Capital Assets, Net	\$ 3,188,104	\$ 80,586	\$ 0	\$ 3,268,690

Depreciation expense was charged to functions of the primary government as follows:

<u>Governmental Activities:</u>	
General Government	\$ 44,616
Protection to Persons and Property	20,230
General Health and Sanitation	6,000
Roads, Including Depreciation of General Infrastructure Assets	<u>137,362</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 208,208</u>

BUTLER COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2009
(Continued)

Note 5. Financing Obligations

A. Courthouse

On September 24, 1997, the Butler County Fiscal Court entered into an agreement with the Kentucky Association of Counties Leasing Trust (KACoLT). The agreement was for the renovation and expansion of the Butler County Courthouse. The principal was \$638,000 at a rate of 4.83% interest for a period of 20 years, interest paid monthly, and principal paid annually. Principal outstanding as of June 30, 2009 was \$341,000. Future payment requirements are:

Fiscal Year Ended June 30	Principal Amount	Scheduled Interest
2010	\$ 36,000	\$ 18,995
2011	37,000	16,873
2012	39,000	14,669
2013	41,000	12,348
2014	43,000	9,910
2015-2017	145,000	13,784
Totals	<u>\$ 341,000</u>	<u>\$ 86,579</u>

B. Fire Truck

On December 30, 1999, the Butler County Fiscal Court entered into an agreement with the Kentucky Association of Counties Leasing Trust (KACoLT). The agreement was for the purchase of a fire truck. The principal was \$41,000 at a rate of 4.28% interest for a period of 10 years, interest and principal paid monthly. Principal outstanding as of June 30, 2009 was \$8,347. Future payment requirements are:

Fiscal Year Ended June 30	Principal Amount	Scheduled Interest
2010	\$ 5,906	\$ 230
2011	2,441	25
Totals	<u>\$ 8,347</u>	<u>\$ 255</u>

C. Tractor and Mower

On May 6, 2005, the Butler County Fiscal Court entered into an agreement with the Kentucky Association of Counties Leasing Trust (KACoLT). The agreement was for the purchase of a tractor and mower. The principal was \$54,768 at a rate of 3.33% interest for a period of 5 years, interest and principal paid monthly. Principal outstanding as of June 30, 2009 was \$14,768. Future payment requirements are:

BUTLER COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2009
(Continued)

Note 5. Financing Obligations (Continued)

C. Tractor and Mower (Continued)

Fiscal Year Ended June 30	Principal Amount	Scheduled Interest
2010	\$ 14,768	\$ 366
Totals	<u>\$ 14,768</u>	<u>\$ 366</u>

D. Road Equipment

On October 11, 2005, the Butler County Fiscal Court entered into an agreement with the Kentucky Association of Counties Leasing Trust (KACoLT). The agreement was for the purchase of road equipment. The principal was \$56,480 at a rate of 3.73% interest for a period of 5 years, interest paid monthly and principal paid annually. Principal outstanding as of June 30, 2009 was \$20,480. Future payment requirements are:

Fiscal Year Ended June 30	Principal Amount	Scheduled Interest
2010	\$ 12,000	\$ 641
2011	<u>8,480</u>	<u>50</u>
Totals	<u>\$ 20,480</u>	<u>\$ 691</u>

E. Changes In Long-term Liabilities

Long-term liability activity for the year ended June 30, 2009, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Primary Government:					
<u>Governmental Activities:</u>					
Financing Obligations	<u>\$ 469,770</u>	<u>\$ 0</u>	<u>\$ 85,175</u>	<u>\$ 384,595</u>	<u>\$ 68,674</u>
Governmental Activities					
Long-term Liabilities	<u>\$ 469,770</u>	<u>\$ 0</u>	<u>\$ 85,175</u>	<u>\$ 384,595</u>	<u>\$ 68,674</u>

BUTLER COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2009
(Continued)

Note 6. Short-term Debt

A. Mac Truck

On April 7, 2008, the Butler County Fiscal Court entered into a short-term lease agreement with the Kentucky Association of Counties to borrow \$102,655 in order to finance the purchase of a Mac Truck. The agreement calls for monthly interest payments with an average interest rate of 3.946%. The principal was due on April 7, 2009. However, on April 20, 2009, it was extended to December 20, 2009. The principal outstanding at June 30, 2009 was \$102,655.

B. Changes In Short-term Liabilities

Primary Government:	<u>Beginning</u> <u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending</u> <u>Balance</u>	<u>Due Within</u> <u>One Year</u>
<u>Governmental Activities:</u>					
Financing Obligations	<u>\$ 102,655</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 102,655</u>	<u>\$ 102,655</u>
Governmental Activities					
Short-term Liabilities	<u>\$ 102,655</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 102,655</u>	<u>\$ 102,655</u>

Note 7. Interest on Financing Obligations and Short-term Debt

Debt Service on the Statement of Activities includes \$23,908 on financing obligations and \$4,054 in interest on short-term debt.

Note 8. Employee Retirement System

The fiscal court has elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a cost-sharing, multiple-employer defined benefit pension plan, which covers all eligible full-time employees and provides for retirement, disability and death benefits to plan members. Benefit contributions and provisions are established by statute.

Nonhazardous covered employees are required to contribute 5 percent of their salary to the plan. Nonhazardous covered employees who begin participation on or after September 1, 2008 are required to contribute 6 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 13.50 percent.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65. Nonhazardous employees who begin participation on or after September 1, 2008 must meet the rule of 87 (members age plus years or service credit must equal 87, and the member must be a minimum of 57 years of age) or the member is age 65, with a minimum of 60 months service credit.

Historical trend information showing the CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report. This report may be obtained by writing the Kentucky Retirement Systems, 1260 Louisville Road, Frankfort, KY 40601-6124, or by telephone at (502) 564-4646.

BUTLER COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2009
(Continued)

Note 9. Deferred Compensation

Butler County Fiscal Court allows all eligible employees to participate in deferred compensation plans administered by the Kentucky Public Employees' Deferred Compensation Authority. The Kentucky Public Employees' Deferred Compensation Authority is authorized under KRS 18A.230 to 18A.275 to provide administration of tax sheltered supplemental retirement plans for all state, public school and university employees and employees of local political subdivisions that have elected to participate. These deferred compensation plans permits all full time employees to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. Participation by eligible employees in the deferred compensation plans is voluntary.

Historical trend information showing the Kentucky Public Employees' Deferred Compensation Authority's progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Public Employees' Deferred Compensation Authority's annual financial report. This report may be obtained by writing Kentucky Public Employees' Deferred Compensation Authority at 101 Sea Hero Road, Suite 110, Frankfort, KY 40601-8862, or by telephone at (502) 573-7925.

Note 10. Insurance

For the fiscal year ended June 30, 2009, Butler County was a member of the Kentucky Association of Counties' All Lines Fund (KALF). KALF is a self-insurance fund and was organized to obtain lower cost coverage for general liability, property damage, public officials' errors and omissions, public liability, and other damages. The basic nature of a self-insurance program is that of a collectively shared risk by its members. If losses incurred for covered claims exceed the resources contributed by the members, the members are responsible for payment of the excess losses.

Note 11. Prior Period Adjustments

The prior year net asset ending balances have been restated for the following:

	Governmental Activities
Net Assets Ending Balance Prior Year	\$4,568,039
Plus:	
Capital Assets Not Included In Prior Year	\$ 12,000
Accumulated Depreciation Of Capital Assets Not Included In Prior Year	(1,278)
Accumulated Depreciation Omitted In Prior Year	(3,981)
Subtotal To Asset Adjustment	6,741
Net Assets Beginning Balance - Restated	\$4,574,780

BUTLER COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2009
(Continued)

Note 12. Subsequent Event

The Butler County and Ohio County Fiscal Courts jointly purchased the Rochester Ferry during the fiscal year ending June 30, 2010. After the ferry was purchased it had to be removed from the river rather quickly due to the ferry taking on water. The Judge Executives were afraid that if the ferry was left in the water and not properly repaired that it could sink. A Morgantown company was contacted by the Butler County Fiscal Court to remove the ferry and take it back to their shop. Once the ferry was at their shop they did some initial work to the ferry preparing it for the bid process. The Butler County Fiscal Court worked with an employee of this local company to prepare the bid specs. Both the Butler County and Ohio County Fiscal Courts advertised for bids. However, Ohio County Fiscal Court did not receive any bids and the Butler County only received one bid. This bid came from the Morgantown company that had previously removed the ferry from the river. The Butler County Fiscal Court felt that this bid came in too high and since it was the only bid received they met with the company and renegotiated a lower bid price. Once a lower bid price had been negotiated the Butler County Fiscal Court approved the bid of the Morgantown company to repair the Rochester Ferry.

BUTLER COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Modified Cash Basis
For The Year Ended June 30, 2009

BUTLER COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Modified Cash Basis

For The Year Ended June 30, 2009

	GENERAL FUND			
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts, (Budgetary Basis)	Final Budget Positive (Negative)
REVENUES				
Taxes	\$ 963,000	\$ 963,000	\$ 1,243,907	\$ 280,907
In Lieu Tax Payments	55,000	55,000	79,707	24,707
Excess Fees	165,000	165,000	208,448	43,448
Licenses and Permits			3,969	3,969
Intergovernmental Revenue	85,200	139,200	172,403	33,203
Charges for Services	22,500	22,500	15,658	(6,842)
Miscellaneous	47,000	47,000	180,524	133,524
Interest	10,000	10,000	15,795	5,795
Total Revenues	<u>1,347,700</u>	<u>1,401,700</u>	<u>1,920,411</u>	<u>518,711</u>
EXPENDITURES				
General Government	619,907	758,925	725,021	33,904
Protection to Persons and Property	461,556	350,285	431,804	(81,519)
General Health and Sanitation	86,550	141,136	137,246	3,890
Social Services	33,900	29,859	28,631	1,228
Recreation and Culture	5,000	35,002	35,002	
Administration	515,500	461,206	423,186	38,020
Total Expenditures	<u>1,722,413</u>	<u>1,776,413</u>	<u>1,780,890</u>	<u>(4,477)</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>(374,713)</u>	<u>(374,713)</u>	<u>139,521</u>	<u>514,234</u>
OTHER FINANCING SOURCES (USES)				
Transfers To Other Funds	(263,570)	(263,570)	(271,740)	(8,170)
Transfers From Other Funds	120,000	120,000	123,586	3,586
Total Other Financing Sources (Uses)	<u>(143,570)</u>	<u>(143,570)</u>	<u>(148,154)</u>	<u>(4,584)</u>
Net Changes in Fund Balance	(518,283)	(518,283)	(8,633)	509,650
Fund Balance - Beginning	<u>518,283</u>	<u>518,283</u>	<u>1,108,853</u>	<u>590,570</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 1,100,220</u>	<u>\$ 1,100,220</u>

BUTLER COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Modified Cash Basis
For The Year Ended June 30, 2009
(Continued)

	ROAD FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental Revenue	\$ 1,352,256	\$ 1,352,256	\$ 1,365,600	\$ 13,344
Miscellaneous			10,608	10,608
Interest	5,500	5,500	8,539	3,039
Total Revenues	1,357,756	1,357,756	1,384,747	26,991
EXPENDITURES				
Transportation Facilities and Services	40,000	40,000	2,338	37,662
Roads	806,825	818,719	763,024	55,695
Debt Service	177,500	173,113	28,114	144,999
Capital Projects	4,000	208,387	204,374	4,013
Administration	271,750	259,856	229,557	30,299
Total Expenditures	1,300,075	1,500,075	1,227,407	272,668
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	57,681	(142,319)	157,340	299,659
OTHER FINANCING SOURCES (USES)				
Transfers To Other Funds	(120,000)	(120,000)	(123,586)	(3,586)
Total Other Financing Sources (Uses)	(120,000)	(120,000)	(123,586)	(3,586)
Net Changes in Fund Balance	(62,319)	(262,319)	33,754	296,073
Fund Balance - Beginning	62,319	262,319	675,836	413,517
Fund Balance - Ending	\$ 0	\$ 0	\$ 709,590	\$ 709,590

BUTLER COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Modified Cash Basis
For The Year Ended June 30, 2009
(Continued)

JAIL FUND				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental Revenue	\$ 327,840	\$ 327,840	\$ 308,668	\$ (19,172)
Charges for Services	46,900	80,200	81,869	1,669
Miscellaneous	11,500	11,500	4,421	(7,079)
Total Revenues	386,240	419,540	394,958	(24,582)
EXPENDITURES				
Protection to Persons and Property	468,970	507,695	502,230	5,465
Administration	180,840	175,415	174,125	1,290
Total Expenditures	649,810	683,110	676,355	6,755
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	(263,570)	(263,570)	(281,397)	(17,827)
OTHER FINANCING SOURCES (USES)				
Transfers From Other Funds	263,570	263,570	263,570	
Total Other Financing Sources (Uses)	263,570	263,570	263,570	-
Net Changes in Fund Balance			(17,827)	(17,827)
Fund Balance - Beginning			23,168	23,168
Fund Balance - Ending	\$ 0	\$ 0	\$ 5,341	\$ 5,341

BUTLER COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Modified Cash Basis
For The Year Ended June 30, 2009
(Continued)

LOCAL GOVERNMENT ECONOMIC ASSISTANCE FUND

	<u>Budgeted Amounts</u>		Actual	Variance with
	<u>Original</u>	<u>Final</u>	Amounts, (Budgetary Basis)	Final Budget Positive (Negative)
REVENUES				
Intergovernmental Revenue	\$ 20,000	\$ 32,000	\$ 38,115	\$ 6,115
Interest			115	115
Total Revenues	<u>20,000</u>	<u>32,000</u>	<u>38,230</u>	<u>6,230</u>
EXPENDITURES				
Protection to Persons and Property	19,000	38,380	37,934	446
Debt Service	11,200	20,220	14,144	6,076
Total Expenditures	<u>30,200</u>	<u>58,600</u>	<u>52,078</u>	<u>6,522</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>(10,200)</u>	<u>(26,600)</u>	<u>(13,848)</u>	<u>12,752</u>
Net Changes in Fund Balance	(10,200)	(26,600)	(13,848)	12,752
Fund Balance - Beginning	<u>10,200</u>	<u>26,600</u>	<u>26,677</u>	<u>77</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 12,829</u>	<u>\$ 12,829</u>

BUTLER COUNTY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2009

Budgetary Information

Annual budgets are adopted on a cash basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer.

The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

The fiscal court overspent the General Fund budget by \$4,477, however the fiscal court was within the entire county budget on expenditures overall.

THIS PAGE LEFT BLANK INTENTIONALLY

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**



CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS

The Honorable David Fields, Butler County Judge/Executive
Members of the Butler County Fiscal Court

**Report On Internal Control Over Financial Reporting And
On Compliance And Other Matters Based On An Audit Of Financial
Statements Performed In Accordance With Government Auditing Standards**

We have audited the financial statements of the governmental activities, the business-type activities, and each major fund of Butler County, Kentucky, as of and for the year ended June 30, 2009, which collectively comprise the County's basic financial statements, as listed in the table of contents, and have issued our report thereon dated August 19, 2010. Butler County's financial statements are prepared in accordance with the modified cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Butler County's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Butler County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Butler County's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with the modified cash basis of accounting such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.



Report On Internal Control Over Financial Reporting
And On Compliance And Other Matters Based On An Audit Of Financial
Statements Performed In Accordance With Government Auditing Standards
(Continued)

Compliance And Other Matters

As part of obtaining reasonable assurance about whether Butler County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

This report is intended solely for the information and use of Butler County Fiscal Court and the Department for Local Government and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Crit Luallen", with a long horizontal flourish extending to the right.

Crit Luallen
Auditor of Public Accounts

August 19, 2010

**CERTIFICATION OF COMPLIANCE -
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM**

BUTLER COUNTY FISCAL COURT

**For The Fiscal Year Ended
June 30, 2009**

Appendix A

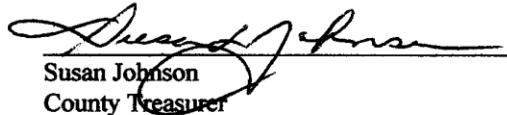
CERTIFICATION OF COMPLIANCE
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM
BUTLER COUNTY FISCAL COURT

For The Fiscal Year Ended June 30, 2009

The Butler County Fiscal Court hereby certifies that assistance received from the Local Government Economic Assistance Program was expended for the purpose intended as dictated by the applicable Kentucky Revised Statutes.



David Fields
County Judge/Executive



Susan Johnson
County Treasurer

